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TOP STORIES

WHAT TAX REFORM

- Many to lose as SALT deductions cut
- Plan benefits corporations, wealthy

BY TOM BRUNE
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WASHINGTON — In less than two weeks, Long Islanders most likely will be forced to cope with an almost totally new federal tax code, one that even Republican congressional tax writers behind the legislation acknowledge creates winners and losers.

Long Island overall loses big, say local business leaders, lawmakers and economists, because the bill eliminates the full deduction for state and local taxes, called SALT — which is why every member of Congress who represents the Island said they will vote no on the bill Tuesday.

“While there may be a few winners, the majority of Long Islanders will pay more federal taxes as they will no longer be able to deduct all their state and local taxes,” said Kevin Law, CEO of the pro-business Long Island Association.

Republican leaders, however, expressed confidence they will pass the final version of the 500-page, \$1.5 trillion bill, which they made public for the first time Friday evening, and send it to President Donald Trump to sign into law before Christmas.

The many big and small changes in tax code that are littered throughout the complex legislative language of the bill — and their effect on taxpayers and communities — are still not fully understood by lawmakers, economists or accountants.

Does anybody grasp the full impact?

“Nobody does, and that’s what so frightening about it,” said Suffolk County Comptroller John Kennedy. “I guess we’re just going to have to take a deep

breath and do the best we can as we get into 2018.”

Here is a sampling of the tax bill’s winners and losers on Long Island.

WINNERS

■ **Corporations.** Henry Schein, Long Island’s largest publicly traded corporation, now pays an effective tax rate of 28 percent. But next year the top corporate rate will be 21 percent, down from 35 percent. In addition, Schein can also bring back \$937 million in overseas profit at a lower rate — 15.5 percent for liquid assets and 8 percent for illiquid assets.

■ **Wealthier taxpayers.** Nassau and Suffolk are among the wealthiest counties in the state, and those making \$500,000 or more will see their top rates tumble to 37 percent from 39.6 percent. The wealthiest will see the exemption for their estate taxes doubled to \$11 million.

■ **Other taxpayers.** Each of the seven tax brackets has a rate cut, although the lower taxes diminish over time — and many middle-income filers will see their taxes go up. All individual rates expire after 2025.

■ **Families with children and illnesses.** For each child, a family will get a \$2,000 tax credit, twice the current rate, and \$1,400 would be refundable. And medical expenses over 7.5 percent of adjusted gross income can be deducted for this year and next year, but then returns to 10 percent.

■ **Investors and small businesses.** Long Island’s many small businesses and investors are expected to benefit from a 20 percent deduction for pass-through income.

“This bill chooses winners and losers in a way that could have and should have been avoided.”

— Rep. Lee Zeldin (R-Shirley)



President Donald Trump says the new plan will trigger job growth.

■ **Apartment complexes.** More people could rent to avoid state and local taxes on homes.

“Rentals may become more desirable than homeownership when we lose some of these deductions,” said Paul Llobell of Great River, the Long Island Board of Realtors legislation committee chairman. The Census Bureau estimates homeowners now occupy about eight of 10 housing units. A shift could lead to construction of more apartment buildings.

LOSERS

■ **Homeowners.** Real estate values are predicted to drop 10 percent, and possibly more, said Llobell, because of the cap of \$10,000 on deductions for property, sales and income taxes. Across New York, he said, 46 percent of homeowners pay more than \$10,000 in property taxes.

■ **First-time buyers.** “Affordability is paramount for young buyers,” Llobell said, but they might decide not to buy if they cannot justify higher home

prices and taxes on Long Island with fewer deductions on their federal income tax. They might rent or leave the Island instead.

■ **Retirees and the elderly.** With a drop in real estate values, many retirees and elderly will have to adjust their retirement plans if they used their homes as nest eggs but the real estate turns out to not be worth what they thought it would be, Llobell said.

■ **School and other taxing districts.** Capping SALT will boost pressure to lower property and state income taxes, said Rep. Lee Zeldin (R-Shirley).

Donald Leistman, an Association for a Better Long Island board member, said school districts and other districts will be forced to cut, curb or consolidate services as taxpayers look to lower the local tax burden.

■ **Public debt refinancing.** Suffolk County has saved \$29 million in interest from using advanced refund bonds to refinance older bonds, said Kennedy, the comptroller. But the tax bill takes away that op-

MEANS FOR LI



Before Republicans from the House and Senate could send a nearly \$1.5 trillion tax overhaul to President Donald Trump, they had to reconcile their differences. Here is where they ended up on some of the key aspects and contrasts of their final bill.

TAX BRACKETS

Keeps seven brackets, reduces top rate to 37 percent.

STANDARD DEDUCTION

Doubles those levels to more than \$12,000 for individuals and \$24,000 for couples. The standard deduction is used by about 70 percent of U.S. taxpayers. It is currently \$6,350 for individuals and \$12,700 for married couples.

STATE AND LOCAL TAX DEDUCTION

Keeps the cap at \$10,000, but allows individuals and families to choose among sales, income and property taxes.

MORTGAGE INTEREST

No change for homeowners with existing mortgages, and allows deduction for interest up to \$750,000 on a new home mortgage.

TAX CREDITS

Doubles per-child tax credit to \$2,000. Begins to phase it out for families making over \$400,000. Preserves adoption tax credit.

PERSONAL EXEMPTION

Eliminates the current \$4,050 personal exemption. The loss of an exemption for each household member could have a major impact on families with two or more dependents (children or elderly adults), resulting in higher taxes, depending on other household factors.

INDIVIDUAL INSURANCE MANDATE

Repeals the requirement in Democrat Barack Obama's health care law that people pay a tax penalty if they don't purchase health insurance.

ESTATE TAX

Retains the estate tax, but doubles the exempt amount to \$10 million.

PASS-THROUGH BUSINESSES

Millions of U.S. businesses "pass through" their income to individuals, who then pay personal income tax on those earnings, not corporate tax. Owners of pass-through businesses can deduct up to 20 percent on earnings.

BUSINESSES

Lower corporate tax rate to 21 percent. Expand write-offs allowed for companies that buy equipment.

MULTINATIONAL CORPORATIONS

"Modernizes" the "worldwide" tax system to eliminate double taxation. Eliminates the corporate alternative minimum tax. Eliminates tax incentives that encourage some U.S. companies to move overseas.

Sources: Tax Policy Center, Congress



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BARRY SLOAN

tion. "It escapes me why Congress would do this," he said. ■ **Transportation and roads.** With lower local tax revenues from reduced real estate values, elected officials will look for service cuts. "One of the first things they strike out at

is transportation," said Marc Herbst, executive director of the Long Island Contractors Association. That includes repairs and new roads.

Overall, Zeldin said, New York loses as other states gain. "This bill remains a geo-

graphic redistribution of wealth, taking extra money from a place like New York to pay for deeper tax cuts elsewhere," he said. "This bill chooses winners and losers in a way that could have and should have been avoided."

Trump: Cuts will make country 'rock'

The Associated Press

WASHINGTON — Closing in on the first major legislative achievement of his term, President Donald Trump on Saturday defended the Republican tax cut as a good deal for the middle class while boldly suggesting it could lead to explosive economic growth.

The legislation, which the GOP aims to muscle through Congress next week, would lower taxes on the richest Americans. Benefits for most others would be smaller, but Trump attempted to sell the bill as a "Christmas present" for middle-class Americans in part because it would trigger job growth.

"It'll be fantastic for the middle-income people and for jobs, most of all," Trump told reporters on the White House lawn before traveling to Camp David for the weekend. "And I will say that because of what we've done with regulation and other things our economy is doing fantastically well, but it has another big step to go and it can't take that step unless we do the tax bill."

No stranger to hyperbole, Trump also predicted the legislation would cause the economy to soar beyond its current 3 percent rate of growth.

"I think we could go to 4, 5 or even 6 percent, ultimately," the president said. "We are back. We are really going to start to rock."

Many economists believe that attaining consistent 4 or 5 percent annual growth would be challenging. The nation last topped 5 percent growth in 1984.

The Republican plan is the widest-ranging reshaping of the tax code in three decades and is expected to add to the nation's \$20 trillion debt. The tax cuts are projected to add \$1.46 trillion over a decade.

Under the bill, today's 35 percent rate on corporations would fall to 21 percent, the crown jewel of the measure for many Republicans. Trump and GOP leaders had set 20 percent as their goal but added a point to free money for other tax cuts that won over wavering lawmakers in final talks.

"This is happening. Tax reform under Republican control of Washington is happening," House Speaker Paul Ryan of Wisconsin told rank-and-file members in a conference call Friday. "We're on the doorstep of something truly historic."

Marco Rubio of Florida relented in his opposition after negotiators expanded the tax credit that parents can claim for their children. He said he would vote for the measure next week.

Sen. Bob Corker of Tennessee, the only Republican to vote against the Senate version earlier this month, made the surprise announcement that he would back the legislation. Corker, the chairman of the Senate Foreign Relations Committee, has warned that the nation's growing debt is the most serious threat to national security.

"I realize this is a bet on our country's enterprising spirit, and that is a bet I am willing to make," Corker said.

The bill embodies a long-standing Republican philosophy that a substantial tax break for businesses will trigger economic growth and job creation for Americans in a trickle-down economy. Skeptical Democrats are likely to oppose the legislation unanimously.

"Under this bill, the working class, middle class and upper middle class get skewered while the rich and wealthy corporations make out like bandits," said Senate Minority Leader Chuck Schumer of New York.

INSIDE TODAY

Lynbrook female wrestler beats four boys en route to title

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